



**Effective March 31, 2017**

# **Schwab Private Client Investment Advisory, Inc. Disclosure Brochure**

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This brochure provides information about the qualifications and business practices of Schwab Private Client Investment Advisory, Inc. ("SPCIA"). If you have any questions about the contents of this brochure, please contact us at the phone number above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. SPCIA's description of itself in this brochure as a registered investment advisor does not imply a certain level of skill or training on the part of SPCIA or its representatives.

Additional information about SPCIA is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Advisory Business

Schwab Private Client Investment Advisory, Inc. ("SPCIA") is a wholly owned subsidiary of The Charles Schwab Corporation ("CSCorp"), a Delaware corporation that is publicly traded and listed on the NYSE (symbol: SCHW). SPCIA has been registered as an investment advisor since January 1, 2012. This document contains important information about SPCIA and how it is compensated for the investment advice provided to Schwab Private Client™ ("SPC") accounts. You should carefully consider this information in your evaluation of the SPC service and the advice you receive in the service.

SPCIA provides non-discretionary portfolio management services for the SPC wrap fee program that is sponsored by its affiliate Charles Schwab & Co., Inc. ("Schwab"). SPC combines non-discretionary investment advice with trade execution, asset custody and other brokerage services for an asset-based fee. SPCIA representatives, in particular phone-based Portfolio Consultants (collectively, "SPCIA Representatives"), provide periodic recommendations in SPC accounts about how to allocate assets and which securities to buy, sell and hold. Beginning in June 2015, Schwab will periodically review SPC accounts to identify mutual fund shares that may be eligible for a tax-free exchange with a lower-cost share class of the same fund and may initiate such exchanges as detailed in the SPC Agreement. SPCIA Representatives' investment advice is delivered in periodic conversations in which a client's financial situation and SPC accounts are reviewed and investment recommendations are made.

In addition to being employees and investment advisor representatives of SPCIA, SPCIA Representatives are also associated persons and registered broker-dealer representatives (though not employees) of Schwab in order to access Schwab order-entry and other systems in connection with the investment advice delivered to SPC accounts.

As of December 31, 2016, the assets enrolled in the SPC program amounted to \$74,446,845,642. SPCIA acts as non-discretionary portfolio manager for these assets. SPCIA does not manage any assets on a discretionary basis. More information about SPC is available in the SPC Disclosure Brochure provided to SPC clients.

## Fees and Compensation

Pursuant to an agreement between SPCIA and Schwab, Schwab pays SPCIA a fee for the investment advice provided to SPC accounts equal to: (1) the costs and expenses incurred by SPCIA in connection with SPC; plus (2) an additional amount of 10% of those costs and expenses. Schwab also provides SPCIA with human resources, legal, compliance, supervisory, operational and other administrative and technological support services. SPCIA does not enter into agreements directly with SPC clients and accordingly does not receive direct compensation from them or negotiate fees with them.

## Performance-Based Fees and Side-by-Side Management

SPCIA does not receive performance-based fees in connection with SPC.

## Types of Clients

SPC is available to individuals, trusts and estates, and corporations or other businesses in their eligible Schwab brokerage accounts. Eligible accounts include individual retirement accounts ("IRAs") and certain other retirement accounts. Other types of retirement plan accounts are excluded from SPC, as are offshore trust accounts and charitable gift accounts.

SPC is intended for clients who want a non-discretionary, fee-based relationship in which SPCIA provides periodic investment advice and portfolio planning in addition to the brokerage services provided by Schwab. SPC is not intended for clients who want or need someone else to manage their investments on a discretionary basis. It is generally not intended for day trading or highly active trading, or trading in mutual funds based on market timing. Another Schwab-sponsored service may be better for investors who want a simple, set mutual fund portfolio, money market funds, underwritten offerings (e.g., initial public offerings), or for investors with high cash balances or insufficient assets in their enrolled accounts. Schwab, as the sponsor of SPC, currently imposes an initial enrollment minimum of \$500,000. Certain clients with lower amounts of enrolled assets—e.g., due to withdrawal of assets from SPC accounts or enrollment in SPC during a time when a lower asset minimum was in place—may remain enrolled in the program.

## Methods of Analysis, Investment Strategies and Risk of Loss

SPCIA bases its non-discretionary investment advice on principles of asset allocation, risk tolerance and diversification, taking into account individual clients' circumstances and needs. Recommended strategies may include a combination of long-term (in which securities are held for at least one year) and short-term (in which securities are held for less than one year) strategies, and recommended investments may include individual equities, equity and fixed income mutual funds, exchange-traded funds ("ETFs"), and individual fixed income securities. Recommendations are subject to advice policies and guidelines adopted by SPCIA. Consistent with the advice policies and guidelines, SPCIA Representatives may supplement their advice with their own sources of information, which may include financial newspapers and periodicals and research reports prepared by third parties.

Investments in securities, including equities, mutual funds, ETFs, bonds and other fixed income securities involve various risks, including but not limited to those summarized below.

## Equities Risks

The prices of equity securities, along with the value of mutual funds and ETFs that invest in them, rise and fall daily. These price movements may result from factors affecting individual companies, industries or the securities market as a whole. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. In addition, the equity market tends to move in cycles, which may cause stock prices to fall over short or extended periods of time.

## Schwab Equity Ratings® Risks

Schwab Equity Ratings is Schwab's proprietary stock evaluation system and evaluates securities on the basis of four primary factors: fundamentals, valuation, momentum and risk. SPCIA's advice policies and guidelines dictate the use of Schwab Equity Ratings in making recommendations to buy or sell individual stocks. Given that systematic stock evaluation approaches cannot capture all the dynamics that affect individual stock returns, Schwab Equity Ratings may not capture more subjective, qualitative influences on return and risk such as management changes and pending lawsuits. Furthermore, the ratings may not reflect the possible impact of late-breaking news. The quality of the ratings depends on the accuracy of financial data provided by third parties, including the companies rated through the approach.

## Large- and Mid-Cap Risks

Large- and/or mid-cap segments of the stock market (as well as mutual funds and ETFs that focus on these segments) bear the risk that these types of stocks tend to go in and out of favor based on market and economic conditions. However, stocks of mid-cap companies tend to be more volatile than those of large-cap companies because mid-cap companies tend to be more susceptible to adverse business or economic events than larger, more established companies. During a period when large- and mid-cap U.S. stocks fall behind other types of investments—bonds or small-cap stocks, for instance—the performance of investment strategies focused on large- and/or mid-cap stocks will lag the performance of these other investments.

## Small-Cap and International Risks

Historically, small-cap and international stocks have been riskier than large- and mid-cap stocks. Stock prices of smaller companies may be based in substantial part on future expectations rather than current achievements and may move sharply, especially during market upturns and downturns. Small-cap companies themselves may be more vulnerable to adverse business or economic events than larger, more established companies. International investments involve additional risks, including differences in financial accounting standards, currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets. International companies may be more vulnerable to geopolitical factors than U.S. companies. During a period when small-cap and/or international stocks fall behind other types of investments—bonds or large-cap stocks, for instance—the performance of investment strategies focused on small-cap or international stocks (or mutual funds or ETFs investing in small-cap or international stocks) will lag the performance of these other investments.

## Mutual Fund Management Risks

Mutual fund managers may base investment decisions for funds using historical information. There is no guarantee that a strategy based on historical information will produce the desired results in the future. In addition, if market dynamics change, the effectiveness of that kind of strategy may be limited. Either of these risks may cause the investment strategy of a particular fund to underperform its benchmark or similar funds.

## Fixed Income Risks

### General

Bond markets rise and fall daily, and fixed income investments are subject to various risks. As with any investment whose performance is tied to bond markets, the value of a fixed income mutual fund or ETF will fluctuate, which means that you could lose money.

### Interest Rate Risks

When interest rates rise, bond prices usually fall, and with them the value of a mutual fund or ETF holding the bonds. A decline in interest rates generally raises bond prices, and with them potentially the value of a bond fund, but could also hurt the investment performance of a mutual fund or ETF by lowering its yield.

### State and Regional Factors

The value and performance of fixed income securities from a given state or geographic region (along with mutual funds or ETFs invested in such securities) could be affected by local, state and regional factors, including erosion of the tax base and changes in the economic climate. National governmental actions, such as the elimination of tax-exempt status, also could affect performance. In addition, a mutual fund or ETF may be more sensitive to adverse economic, business or political developments if a substantial

portion of it is invested in municipal securities that are financing similar projects.

### Credit Risks

A decline in the credit quality of a fixed income security could cause the value of that security (or a mutual fund or ETF invested in the security) to fall if the issuer or guarantor fails to make a timely principal or interest payment or otherwise honor its obligations. The emphasis of a fixed income strategy on quality and preservation of capital also could cause a mutual fund or ETF to underperform certain other types of bond investments, particularly those that take greater maturity and credit risks.

### High Yield Risks

High yield securities and unrated securities of similar credit quality (sometimes called junk bonds) are subject to greater levels of credit and liquidity risks. High yield securities and the ETFs or mutual funds that invest in them may be considered speculative.

### Emerging Markets Risks

These and other risks (e.g., nationalization, expropriation, or other confiscation of assets of foreign issuers) are greater for those ETFs or mutual funds investing in companies tied economically to emerging countries, the economies of which tend to be more volatile than the economies of developed countries.

### Frontier Markets Risks

The risks associated with investing in foreign or emerging markets generally are magnified in frontier markets, also known as “next emerging markets.” Some frontier markets may operate in politically unstable regions of the world and may be subject to additional geopolitical/disruption of markets risks.

### Currency Risks

Fluctuations in exchange rates may adversely affect the value of a strategy’s foreign currency holdings and investments denominated in foreign currencies.

### Commodities Risks

Commodities involve unique risks that may be distinct from those that affect stocks and bonds, including worldwide supply and demand factors, weather conditions, currency movements, and international government policies regarding commodity reserves and choice of currency for commodity pricing.

### Real Estate Risks

Real estate related investments may be adversely affected by factors affecting the real estate industry which may include changes in interest rates and social and economic trends. Real Estate Investment Trusts (“REITs”) may also be subject to the risk of fluctuations in income from underlying real estate assets, poor performance by the REITs’ manager, prepayments and defaults by borrowers, adverse changes in tax laws, and, with respect to U.S. REITs, their failure to qualify for the special tax treatment granted to REITs under the Internal Revenue Code of 1986 and/or to maintain exempt status under the Investment Company Act.

## Disciplinary Information

SPCIA has no legal or disciplinary events that it is required to report.

## Other Financial Industry Activities and Affiliations

In its role as sponsor of SPC, Schwab (SPCIA’s affiliate) provides trade execution, asset custody and other brokerage services to SPC accounts. Please see the SPC Disclosure Brochure for more information on Schwab’s role in SPC. Pursuant to the interaffiliate agreement between SPCIA and Schwab, SPCIA Representatives may also periodically assist non-SPC Schwab brokerage clients with service requests during times of high market activity. In addition, upon the

request of its affiliate Charles Schwab Trust Company (“CSTC”), SPCIA may periodically provide sub-advisory services to CSTC in connection with the management of trust assets.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

SPCIA has a code of ethics adopted pursuant to SEC Rule 204A-1 under the Investment Advisers Act of 1940 (the “Code”). The Code reflects the fiduciary principles that govern the conduct of SPCIA and its employees—such as when we make recommendations to SPC accounts. The Code requires that SPCIA’s covered employees comply with applicable federal securities laws and report violations of the Code. All SPCIA employees are deemed “access persons” by virtue of providing investment advice or having access to certain related information. Therefore, they must report their personal transactions and holdings in certain securities periodically and get clearance before buying certain securities, including initial public offerings or private offerings. The Code prohibits access persons from disclosing portfolio transactions or any other non-public information to anyone outside of Schwab, except as required to effect securities transactions for clients, or from using the information for personal profit or to cause others to profit. Access persons are also prohibited from engaging in deceptive conduct in connection with the purchase or sale of securities for client accounts. The Code is subject to change as necessary to remain current with regulatory requirements and internal business policies and procedures. A copy of the Code is available upon request.

You can get a copy of the Code by asking your SPCIA Representatives or calling SPCIA at 1-888-672-4922.

### **Participation or Interest in Client Transactions**

SPCIA’s affiliate, Schwab, sponsors SPC and receives compensation from certain mutual funds, fixed income securities and other investments held in SPC accounts. This compensation is in addition to the explicit asset-based fee that SPC clients pay to Schwab. Charles Schwab Investment Management, Inc. (“CSIM”), another SPCIA affiliate, earns compensation from affiliated mutual funds and ETFs held in SPC accounts. SPC clients receive detailed disclosures about Schwab’s and CSIM’s SPC-related compensation in the SPC Disclosure Brochure. This compensation is also described in “Compensation of the Fiduciary Advisor and Related Parties” below.

### **Personal Trading**

Schwab, pursuant to an interaffiliate agreement with SPCIA, monitors the personal securities holdings and trading of SPCIA Representatives. SPCIA reviews such accounts custodied at Schwab and applicable accounts custodied at other firms.

The surveillance program monitors holdings and trades against the Code, the Compliance Manual, and other applicable policies. Additionally, SPCIA Representatives must disclose all securities accounts they own or control after their hire date and review and confirm the accuracy of those accounts on an annual basis during their employment.

SPCIA Representatives are prohibited from engaging in activities that violate federal or state securities laws, or rules and regulations of the exchanges or regulatory agencies. These prohibitions include: rules against front running customer orders (i.e., if an SPCIA Representative were to buy or sell a security to possibly capitalize on advance knowledge of an imminent customer transaction that is expected to influence the market price, or were to pass such information to others for that purpose); so-called “shadowing” (i.e., to misuse confidential customer trade information for possible personal benefit); and purchasing shares in initial public offerings.

## **Brokerage Practices**

Clients with accounts enrolled in SPC agree in writing with Schwab that all brokerage transactions for equity securities will be executed by Schwab, which may not always obtain as favorable a price as another broker or dealer could obtain depending on the circumstances.

## **Review of Accounts**

SPCIA Representatives review SPC accounts periodically during the year in preparation for and as part of conversations with clients. As part of these reviews, SPCIA Representatives evaluate the composition and performance of SPC accounts in light of clients’ financial goals and situations.

## **Client Referrals and Other Compensation**

As explained in “Fees and Compensation” beginning on page 1, Schwab compensates SPCIA for providing non-discretionary portfolio management services to SPC accounts. Neither Schwab nor SPCIA compensates any party for referrals of SPC clients.

## **Investment Discretion**

SPCIA does not have or exercise discretionary authority to manage accounts enrolled in SPC.

## **Voting Client Securities**

SPCIA has no discretionary authority over SPC accounts and does not vote client securities in SPC accounts.

Schwab’s proxy voting procedures are described in the SPC Disclosure Brochure.

## **Custody**

Schwab has custody of client assets in SPC accounts and, at least quarterly, sends SPC clients account statements detailing account positions and activities during the preceding period. Account statements include a summary of all transactions made on behalf of the account, all deposits and withdrawals made to or from the account, all fees and expenses charged to the account, and the value of the account at the beginning and end of the period. You should review these statements carefully.

## **Financial Information**

SPCIA does not require or solicit prepayment of SPC fees and is therefore not required to include a balance sheet for its most recent fiscal year. SPCIA is not the subject of any financial condition that is reasonably likely to impair its ability to meet its contractual obligations to its clients. SPCIA is not the subject of any bankruptcy petition, nor has it been the subject of any bankruptcy petition at any time during the past 10 years.

## **Fiduciary Advisor Disclosure**

This document contains important information about SPCIA and how it is compensated for the investment advice provided to you if you have an IRA (as defined in 29 C.F.R. 2550.408g-1(c)(4)), which, for example, includes Simplified Employee Pension IRAs and SIMPLE retirement accounts) enrolled in SPC (collectively, “Retirement Accounts”). In providing investment advisory services to Retirement Accounts, SPCIA intends to rely on exemptions to the prohibited transaction restrictions of the Employee Retirement Income Security Act (“ERISA”) and the Internal Revenue Code (“IRC”) set forth in sections 408(b)(14) and 408(g) of ERISA and sections 4975(d)(17) and 4975(f)(8) of the IRC and the regulations thereunder. These exemptions are subject to certain conditions,



including the requirement that we provide certain disclosures to you. We intend that the disclosures contained in this document will provide the information required to be disclosed under the exemptions. You should carefully consider this information in your evaluation of our investment advice.

SPCIA has been selected by you to provide investment advisory services for your Retirement Account. SPCIA will be providing these services as a fiduciary advisor, as defined in IRC section 4975(f)(8)(J)(i) and, to the extent applicable, as a fiduciary under ERISA. Through your enrollment of your Retirement Account in SPC, you will have expressly authorized the investment advice arrangement described in the portion of this document titled "Fiduciary Advisor Disclosure."

#### **Compensation of the Fiduciary Advisor and Related Parties**

SPCIA is not compensated directly by you for the advice it provides. SPCIA receives a fee from Schwab for the investment advice provided to SPC accounts equal to: (1) the costs and expenses incurred by SPCIA in connection with SPC; plus (2) an additional amount of 10% of those costs and expenses. Schwab also provides SPCIA with human resources, legal, compliance, supervisory, operational and other administrative and technological support services. SPCIA is not compensated based on the particular investments recommended or held in Retirement Accounts. SPCIA's affiliate, Schwab, is compensated by you for the broker-dealer services it provides in SPC. This asset-based fee is known as the "SPC Fee" and, effective January 1, 2014, begins at 0.90% of assets for equities and equity funds and 0.70% of assets for fixed income securities and fixed income funds, subject to certain exceptions as detailed in the SPC Disclosure Brochure provided to SPC clients.

SPCIA's affiliate, Schwab, also will be providing other services in SPC for which it will be compensated. These services include: (1) trade execution, asset custody and other broker-dealer services in SPC (collectively, "Broker-Dealer Services"); and (2) recordkeeping, shareholder services and other administrative services that Schwab provides to shareholders of affiliated and third-party mutual funds available to Retirement Accounts (collectively, "Shareholder Services").

SPCIA's affiliate, CSIM, also provides investment advisory services to two affiliated mutual fund families, Schwab Funds® and Laudus Funds® (collectively, "Schwab Affiliate Funds"), and to a family of Schwab-affiliated ETFs ("Schwab ETFs™"), whose funds are available in Retirement Accounts.

When SPCIA recommends that you invest your Retirement Account assets in options and you follow that advice, Schwab will receive compensation from you in the form of a trade commission that is not covered by the SPC Fee. The amount that will be paid by you is \$4.95 per trade plus \$0.65 per contract. More information concerning option trading commissions is available in the *Charles Schwab Pricing Guide for Individual Investors*, available online at [www.schwab.com/pricing](http://www.schwab.com/pricing). This information should be reviewed carefully before you make an investment decision.

When SPCIA recommends that you invest your Retirement Account assets in Schwab Affiliate Funds and you follow that advice, Schwab will receive compensation from the fund on the amount you invest. These amounts may be indirectly paid by you as part of the operating expense ratio ("OER") of the Schwab Affiliate Fund. The amounts paid to Schwab for Schwab Affiliate Funds will vary depending on the particular fund in which you invest and may range from 0.02% to 0.40% of assets. Specific information concerning the fees paid to Schwab by Schwab Affiliate Funds is available in the SPC Disclosure Brochure and in the applicable

fund prospectus and statement of additional information. This information should be reviewed carefully before you make an investment decision.

When SPCIA recommends that you invest your Retirement Account assets in unaffiliated mutual funds, other than mutual funds carrying a front end sales load ("Front End Load Funds"), and you follow that advice, Schwab will receive compensation from the fund on the amount you invest. These amounts may be indirectly paid by you as part of the OER of the unaffiliated mutual fund. The amounts paid to Schwab for unaffiliated mutual funds will vary depending on the particular fund in which you invest and may range from as much as 0.25% to 0.45% of assets or as much as \$20 to \$30 per account per year. All of these fees may be subject to monthly or quarterly minimums, and Schwab may receive additional one-time fees to establish a fund at Schwab. Specific information concerning the fees paid to Schwab by unaffiliated mutual funds is available in the SPC Disclosure Brochure. This information should be reviewed carefully before you make an investment decision.

When SPCIA recommends that you invest your Retirement Account assets in ETFs in the Schwab ETF OneSource™ program ("ETF OneSource") and you follow that advice, Schwab will receive compensation from the ETF sponsors (other than Schwab ETFs) or their affiliates, each of which pays an annual fixed program fee to Schwab for each ETF participating in ETF OneSource. The program fees vary, but can range up to \$250,000 per year for each participating ETF. ETF sponsors or their affiliates also pay Schwab an asset-based fee based on a percentage of total ETF assets purchased by Schwab customers after the ETF was added to ETF OneSource. The amount of the asset-based fee can range up to 0.20% annually. Assets in SPC accounts are included in the calculation of the asset-based fee to be paid to Schwab by an ETF sponsor or its affiliates. Specific information concerning the fees paid to Schwab by unaffiliated ETFs is available in the SPC Disclosure Brochure. This information should be reviewed carefully before you make an investment decision.

When SPCIA recommends that you invest your Retirement Account assets in Front End Load Funds and you follow that advice, Schwab will receive compensation from the fund on the amount you invest. These amounts will be indirectly paid by you as part of the front end sales load charged by the fund. The amounts paid to Schwab for Front End Load Funds will vary depending on the particular fund in which you invest. Specific information concerning the fees paid to Schwab by Front End Load Funds is available in the applicable fund prospectus. This information should be reviewed carefully before you make an investment decision. Schwab may also receive fees from Front End Load Funds for additional account maintenance services.

When SPCIA recommends that you invest your Retirement Account assets in Schwab Affiliate Funds or Schwab ETFs and you follow that advice, CSIM will receive compensation from the fund on the amount you invest. The amounts paid to CSIM for Schwab Affiliate Funds will vary depending on the particular fund in which you invest and may range from 0.06% to 1.29% of assets. The amounts paid to CSIM for Schwab ETFs (and out of which CSIM compensates other Schwab ETF service providers) will vary depending on the particular fund in which you invest and may range from 0.03% to 0.46% of assets. Specific information concerning the advisory fees paid to CSIM by each Schwab Affiliate Fund or Schwab ETF is available in the applicable fund prospectus. This information should be reviewed carefully before you make an investment decision.

When SPCIA recommends that you enroll your Retirement Account in a Schwab-sponsored advisory program other than SPC, and you follow that advice, Schwab will receive compensation from the

explicit asset-based fee that you pay in connection with that program and may also, along with CSIM potentially, receive the types of compensation described above from the underlying assets held in your Retirement Account.

In addition to the above, Schwab also receives other fees or compensation, such as fees to offset processing costs incurred by Schwab for the exchange of securities for equity, options, or other covered security sell transactions. A complete list of Schwab's charges and fees appears in the *Charles Schwab Pricing Guide for Individual Investors*, which is available online at [www.schwab.com/pricing](http://www.schwab.com/pricing). This information should be reviewed carefully before you make an investment decision.

#### **Consider Impact of Compensation on Advice**

The fees and other compensation that Schwab and other SPCIA affiliates receive as a result of assets held in SPC Retirement Accounts are a significant source of revenue for these affiliates. You should carefully consider the impact of any such fees and compensation in your evaluation of the investment advice that SPCIA provides. Consider that you may arrange for the provision of advice by another advisor that may have no material affiliation with or receive no compensation in connection with the investments recommended by SPCIA.

#### **Investment Returns**

While understanding investment-related fees and expenses is important in making informed investment decisions, it is also important to consider additional information about your investment options, such as performance, investment strategies and risks. Specific information related to the past performance and historical rates of return of SPC accounts has not been provided to you due to the fact that: (1) SPC is a non-discretionary investment advisory service in which clients can reject SPCIA's recommendations or place trades on their own without SPCIA's input; and (2) investment advice in SPC accounts does not consist of fixed portfolios or allocations, but is particular, within the limits set by SPCIA's advice policies and guidelines, to the needs and circumstances of individual SPC clients. You can find information on the past and current performance of your Retirement Account by referring to your Schwab Performance Report.

For investments with returns that vary over time, past performance does not guarantee how your investment in the same or similar investment will perform in the future; your investment could lose money.

#### **Parties Participating in Development of SPC**

Schwab is the sponsor of SPC and has participated in the development of advice policies and guidelines independently adopted by SPCIA and applied to advice given by SPCIA to SPC accounts.

In particular, recommendations by SPCIA Representatives to purchase or sell mutual fund shares are subject to mutual fund advice policies and guidelines which state that "buy" recommendations are restricted to funds on one of a number of recommendable lists of funds. Although compensation to Schwab and its affiliates was not directly considered in the selection of funds for any recommendable list, by design, the majority of mutual funds on the recommendable lists are no-load, no-transaction-fee funds that are part of the Schwab Mutual Fund OneSource® service, with some prominence given to Schwab Affiliate Funds. Schwab and its affiliate, CSIM, generally earn more money when clients purchase and hold OneSource and Schwab Affiliate Funds.

#### **Use of Personal Information**


SPCIA will request from you information relating to age, time horizons, risk tolerance, current investments, other assets or sources of income, and investment preferences. This information will be shared with Schwab in order to process trade orders and maintain your SPC accounts. All personal information that SPCIA or Schwab collects about you is subject to the CSCorp Privacy Policy, available online at [www.schwab.com/privacy](http://www.schwab.com/privacy).

#### **Independent Audit of Advice Arrangement**

SPCIA's advice arrangement for Retirement Accounts is audited annually by an independent auditor for compliance with the requirements of the exemptions and related regulations relied on by SPCIA. The auditor furnishes SPCIA with a copy of the auditor's findings within 60 days of its completion of the audit. Within 30 days of the completion of the auditor's written report, SPCIA will furnish you with a copy of the auditor's report or make the auditor's report available to you on Schwab's website. Please go to [www.schwab.com/auditreportspcia](http://www.schwab.com/auditreportspcia) for instructions on how to access the auditor's report.

Should you have any questions about SPCIA or the information contained in this document, you may contact SPCIA at the phone number on the front of this SPCIA Disclosure Brochure.



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